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carnavale
resources ltd

ABN 49 119 450 243

AND CONTROLLED ENTITIES

**HALF YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED
31 DECEMBER 2012**

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONTENTS

	<i>Page</i>
Directors' Report	2
Auditor's Independence Declaration	3
Condensed Statement of Comprehensive Income.....	4
Condensed Statement of Financial Position	5
Condensed Statement of Changes in Equity	6
Condensed Statement of Cash Flows.....	7
Notes to the Financial Statements.....	8
Directors' Declaration.....	13
Independent Auditor's Review Report	14

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CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2012. The directors report as follows:

Directors

The directors of the Company during or since the end of the half-year are listed below. All directors were in office for this entire period unless otherwise stated.

Ron Gajewski	Executive Chairman
Peter Christie	Non-Executive Director
Klaus Eckhof	Non-Executive Director

Results

The consolidated loss for the half-year after tax was \$248,107 (2011: \$285,699).

Review of Operations

Exploration Licence E38/2055, WA (100%)

During the period, the Company continued a desktop review of the historical data for the project.

Corporate

During the period, the Company has reviewed a number of mineral projects and corporate opportunities with the objective of diversifying the Company's asset base.

Carnavale has submitted licence applications for areas considered to be highly prospective for gold in Central Africa. These licence areas were selected on the basis of geological interpretations and a mineralisation targeting exercise. The Company can give no assurance that these applications will be granted.

The Company will continue to seek new natural resources investment opportunities in order to increase the size and diversity of the Company's portfolio.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the Company's auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on the next page and forms part of this directors' report for the half-year ended 31 December 2012.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



R Gajewski
Executive Chairman
Perth

Dated this 8th day of February 2013

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Carnavale Resources Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

**Perth, Western Australia
8 February 2013**



**M R W OHM
Partner, HLB Mann Judd**

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CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 31 December 2012

	Note	Consolidated 6 Months Ended 31 December 2012 \$	Consolidated 6 Months Ended 31 December 2011 \$
REVENUES			
Interest income		23,413	28,068
Foreign exchange gain		-	27,400
		<hr/> 23,413	<hr/> 55,468
EXPENSES			
Administrative expenses		(260,527)	(278,369)
Exploration expenditure written off		(4,823)	(17,095)
Net loss on disposal of available-for-sale investments		-	(27,414)
Impairment of property, plant and equipment		-	(18,038)
Depreciation expense		(1,513)	(251)
Foreign exchange (loss)		(4,657)	-
		<hr/> (248,107)	<hr/> (285,699)
Loss before income tax	2	(248,107)	(285,699)
Income tax expense		-	-
		<hr/> (248,107)	<hr/> (285,699)
Net loss for the period		(248,107)	(285,699)
Other comprehensive income / (loss)			
Net change in fair value of available-for-sale financial assets		-	(136,000)
		<hr/> -	<hr/> (136,000)
Total comprehensive loss for the period		<hr/> (248,107)	<hr/> (421,699)
Basic earnings / (loss) per share (cents per share)		(0.28)	(0.33)

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	Consolidated 31 December 2012 \$	Consolidated 30 June 2012 \$
Assets			
Current Assets			
Cash and cash equivalents		1,633,666	1,864,507
Trade and other receivables		11,087	11,617
Other assets		7,109	18,519
Total Current Assets		1,651,862	1,894,643
Non-Current Assets			
Property, plant and equipment		7,564	138
Exploration and evaluation expenditure	3	8,414	7,948
Other assets		9,375	9,375
Total Non-Current Assets		25,353	17,461
Total Assets		1,677,215	1,912,104
Liabilities			
Current Liabilities			
Trade and other payables		32,299	19,081
Total Current Liabilities		32,299	19,081
Total Liabilities		32,299	19,081
Net Assets		1,644,916	1,893,023
Equity			
Issued capital	4	22,625,370	22,625,370
Option premium reserve	5	1,249,661	1,249,661
Accumulated losses		(22,230,115)	(21,982,008)
Total Equity		1,644,916	1,893,023

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2012

Consolidated	Issued Capital	Accumulated Losses	Option Premium Reserve	Financial assets reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$		\$	\$
Balance at 1 July 2011	22,625,370	(21,370,639)	1,249,661	-	(6,135)	2,498,257
Loss attributable to members of the parent entity	-	(285,699)	-	-	-	(285,699)
Revaluation of available-for-sale financial assets	-	-	-	(136,000)	-	(136,000)
Total comprehensive loss for the period	-	(285,699)	-	(136,000)	-	(421,699)
Balance at 31 December 2011	22,625,370	(21,656,338)	1,249,661	(136,000)	(6,135)	2,076,558
Balance at 1 July 2012	22,625,370	(21,982,008)	1,249,661	-	-	1,893,023
Loss attributable to members of the parent entity	-	(248,107)	-	-	-	(248,107)
Total comprehensive loss for the period	-	(248,107)	-	-	-	(248,107)
Balance at 31 December 2012	22,625,370	(22,230,115)	1,249,661	-	-	1,644,916

The accompanying notes form part of these financial statements.

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CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2012

	Consolidated 6 Months Ended 31 December 2012 \$	Consolidated 6 Months Ended 31 December 2011 \$
Cash flows from operating activities		
Cash payments in the course of operations	(235,369)	(281,090)
Interest received	23,413	28,068
Net cash used in operating activities	(211,956)	(253,022)
Cash flows from investing activities		
Payments for exploration and development expenditure	(5,289)	(747,043)
Payments for property, plant and equipment	(8,939)	-
Proceeds received from disposal of investment	-	242,251
Net cash used in investing activities	(14,228)	(504,792)
Cash flows from financing activities		
Net cash provided by financing activities	-	-
Net decrease in cash held	(226,184)	(757,814)
Cash at the beginning of the reporting period	1,864,507	2,254,178
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	(4,657)	27,400
Cash at the end of the reporting period	1,633,666	1,523,764

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Carnavale Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2012.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2012

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2012, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2012.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

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CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2012

2. LOSS BEFORE INCOME TAX EXPENSE

	Consolidated 31 December 2012 \$	Consolidated 31 December 2011 \$
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Revenue		
Interest received	23,413	28,068
Foreign exchange gain	-	27,400
Total	<u>23,413</u>	<u>55,468</u>
Expenses		
Write-off of capitalised exploration expenditure	(4,823)	(17,095)
Impairment of property, plant and equipment	-	(18,038)

3. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 31 December 2012 (6 months) \$	Consolidated 30 June 2012 (12 months) \$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at 1 July	7,948	949,665
Expenditure incurred	5,289	25,043
Exploration expenditure impaired	(4,823)	(17,095)
Amount transferred to available-for-sale financial assets (i)	-	(949,665)
Balance at 31 December	<u>8,414</u>	<u>7,948</u>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

(i) During the prior period, the Company entered into an agreement with ADX Energy Limited to dispose of its 20% interest in the Lambouka Project in Tunisia. In consideration for the disposal of the 20% working interest, Carnavale received 11,172,535 shares in ADX.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2012

4. ISSUED CAPITAL

	Consolidated 31 December 2012 \$	Consolidated 30 June 2012 \$
(a) Issued and paid-up share capital		
87,739,708 (30 June 2012: 87,739,708) ordinary shares, fully paid	<u>22,625,370</u>	<u>22,625,370</u>
<i>Movements in Ordinary Shares:</i>		
	Number	\$
Balance at 1 July 2012	<u>87,739,708</u>	<u>22,625,370</u>
Balance at 31 December 2012	<u>87,739,708</u>	<u>22,625,370</u>

5. OPTION RESERVE

	Consolidated 31 December 2012 \$	Consolidated 30 June 2012 \$
Option Reserve	<u>1,249,661</u>	<u>1,249,661</u>

There were no movements during the period

7. COMMITMENTS AND CONTINGENT LIABILITIES

There has been no change in the commitments and contingent liabilities since the last annual reporting date.

8. EVENTS OCCURRING SUBSEQUENT TO BALANCE DATE

There are no matters or circumstances that have arisen since 31 December 2012 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity in future financial periods.

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CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2012

9. SEGMENT REPORTING

The directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that, during the period, Carnavale operated in the mineral exploration industry and conducted investing activities in Australia.

	Investing	Mineral Exploration	Oil Exploration	Eliminations	Consolidated
31 December 2012	\$	\$	\$	\$	\$
Business segments					
Revenue					
Other external revenue	23,413	-	-	-	23,413
Total segment revenue	23,413	-	-	-	23,413
Results					
Operating loss before income tax	(243,284)	(4,823)	-	-	(248,107)
Income tax expense					-
Net loss					(248,107)
31 December 2012					
Assets					
Segment assets	1,668,801	8,414	-	-	1,677,215
Liabilities					
Segment liabilities	32,299	-	-	-	32,299
	Investing	Mineral Exploration	Oil Exploration	Eliminations	Consolidated
31 December 2011	\$	\$	\$	\$	\$
Business segments					
Revenue					
Other external revenue	55,468	-	-	-	55,468
Total segment revenue	55,468	-	-	-	55,468
Results					
Operating loss before income tax	(249,596)	(19,008)	(17,095)	-	(285,699)
Income tax expense					-
Net loss					(285,699)
30 June 2012					
Assets					
Segment assets	1,904,156	7,948	-	-	1,912,104
Liabilities					
Segment liabilities	19,081	-	-	-	19,081

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

31 December 2012

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity, as set out on pages 4 to 12, are in accordance with the Corporations Act 2001 including:
 - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year then ended; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.



R Gajewski
Executive Chairman

Dated at Perth this 8th day of February 2013

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Carnavale Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Carnavale Resources Limited (“the company”) which comprises the condensed statement of financial position as at 31 December 2012, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors’ declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity’s financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the consolidated entity for the half-year ended 31 December 2012 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Carnavale Resources Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants



M R W OHM
Partner

Perth, Western Australia
8 February 2013